

REINVENTING CO-OPERATION

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20 June 1995

The Victorian Government's privatisation of the electric industry raises two important questions: What is the role of electric utilities? and What form of ownership is appropriate to this role?

We need to ask, for instance, what is the role of electric utilities in:
economic development,
demand-side management,
energy efficiency programs,
environmental protection,
renewable resource technologies,
public health and safety and
low income programs.

Prior to the Victorian Government embarking on its restructuring of the electric industry there was a vertically integrated monopoly, the State Electricity Commission of Victoria, and 11 Municipal Electricity Undertakings. In October 1994 the Government created eight companies:

Company Name	Business Activity
Victorian Power Exchange (VPX)	An independent company to administer the wholesale electricity market and to oversee System Control.
Power Net Victoria (PNV)	A transmission network company.
Generation Victoria (GenVic)	An interim structure comprising five groups of power stations trading as independent producers.
Powercor Solaris Power United Energy Eastern Energy Citipower.	Five regionally based distribution companies formed from the SECV and the 11 Municipal Electricity Undertakings.

The Government has identified natural monopoly and competitive elements in the electricity market:

Natural Monopoly Elements	Competitive Elements
Transmission Distribution	Generation Retailing

While distribution is determined to be a natural monopoly, the distribution businesses are to be privatised and will be subject to the discipline of the market.

In its first booklet on electricity reform the Government established as a key objective: *"the empowering of consumers by allowing them to share in the benefits of efficiency gains, mainly through having greater choice, sustainable low prices, simplicity in purchase arrangements, and availability of supply of electricity to the widest possible range of members in the community."* Other important objectives were stated as including: *to provide opportunities for a spread of equity participation through the Victorian and Australian*

community in privatisation of Government businesses" and "to encourage employee equity participation in the businesses, where possible, through preferential access to shareholdings or similar schemes." (1/47)

The Government's timetable for the introduction of retail competition is as below:

Date for Introduction of Competition	Customer Load Level	Number of customers October 1994 (Est.)	Examples of Customer Type
December 1994	Customers with loads in excess of 5MW	47	BHP Westport
July 1995	Customers with loads in excess of 1MW and less than 5MW.	330	Large multi-storey office building; ICI chlorine production plant
July 1996	Customers with loads in excess of 750kWh/Yr and less than 1 MW	1500	Paper box plant Small concrete plant
July 1998	Customers with loads in excess of 160kWh/Yr and less than 750kWh/Yr	5000	Single storey office Fast food restaurant
December 2000	All remaining customers subject to there being no significant technical or economic constraints.	1,957,300	Individual residential user

The government's restructuring program is predicated on the assumption that investor ownership of electric utilities will provide the competition necessary to reduce electricity prices for all consumers. The Government has established price control until the year 2000. It is arguable, however, that productivity and efficiency changes would have reduced prices irrespective of the privatisation program. While it does not preclude electric co-operatives, the government has not explicitly acknowledged the co-operative option - and the successful electric co-operative experience in the USA and other countries. There is bipartisan ignorance of the co-operative option with the Labor Party also ignoring this option.

There have been two broad responses to the electric privatisation agenda of the Government:

A Political response e.g., Public First, Trades Hall Council, Uniting Church and Labour Opposition. This approach assumes the desirability and possibility of preventing privatisation. The approach is based on a political solution - citizens persuading the State to adopt better and different policies, legislation and regulation.

An Economic response e.g., the Orbest Power Co-operative Ltd, Co-operative Energy Ltd and Southern Energy Co-operative Ltd. This approach is based on the possibility of a direct economic response by consumers - rather than depending on the State. It will turn privatisation into a co-operative challenge and opportunity.

The **political response** is, ultimately, easier than the **economic response** because it depends on the State to decide and act - involving limited obligations for electric consumers. Inherent to this response is the assumption that electric consumers are unwilling and/or unable to own and operate their own utilities.

The **economic response** is difficult for it is embedded in complexity - with electric consumers accepting the obligation of co-operative ownership and control. The co-operative option recognises the need to go beyond political solutions and assumes that electric consumers have the capacity to own and control utilities.

Both the political and economic responses require conviction - conviction about what change is necessary, that change is possible and that we can make a difference.

The choice we make depends on the psychology of individuals and communities - how we respond to turbulence - cultural, social, economic and political.

The political response is based on dependence whereas the economic response is based on mutual aid. Mutual aid is recognising that communities cannot continue to rely on the private and public sectors to provide services and jobs and that, instead, there is a need for individuals and communities to act together - the basis for individual and community empowerment. It means developing a vision and a sense of

direction, analysing the problem, identifying individual and collective interests, identifying what can and cannot be done and developing achievable responses.

Public Protection

Before discussing the co-operative way, it is important to identify the argument for continued public ownership.

The essence of the argument is that there is a public interest to be protected such as access to safe, reliable and affordable essential services and that historically market failure has compelled government intervention.

It is assumed that the public sector is different from the private sector, that government ownership is public ownership and that the public sector represents the public interest. Intrinsic to this argument is that Government should maintain and develop the common good.

It is specifically assumed and argued that low income consumers need protection - those consumers with the least capacity to receive the electric service they require.

All of these assumptions are challengeable - not necessarily because the private sector could do it more effectively and efficiently.

Government ownership has never been automatically and necessarily in the public interest because what is in the interest of a government may not be in the interests of the public. What is the common good is not self-evident and, therefore, it cannot be assumed that there exists a definable and unchallengeable common good.

Governments are prone to equate the public interest with government interest. In arguing for continuing public ownership of utilities the Labour Government Treasurer, the Hon. Tony Sheehan, argued in 1992 that the share register of the energy utilities comprised the people of Victoria: "This is an important point. It is reasonable to consider the people who live, work and employ people in Victoria as the legitimate shareholders of the GBEs." It was a clever hypothetical which missed the point. Victorians are the legitimate owners of the GBEs - but not shareholders. Generations of Victorians have created the assets of the energy utilities. All Victorians could become real shareholders through co-operative utilities - instead of the hypothetical shareholders of the former Treasurer.

The public sector is being transformed by Labour and Liberal/National Party Governments. Government is being reinvented - away from "rowing" to "steering". While some may persist in believing that the Victorian Coalition Government is distinct, its policies reflect and reinforce Australian and world-wide trends.

Government reinvention is not empowering people. Public bureaucracies are being replaced by private bureaucracies. Government is claiming to be freeing itself of narrow interests - and is itself captive to other narrow interests. The assumption that public ownership will protect access to essential services is no longer relevant.

Ignoring the reality of this "transformation", the opponents of privatisation are focusing on the "transfer" of the SEC from public to private ownership and are critical of the Government for excluding social and environmental considerations from the regulatory framework and for community participation being based on the discretion of the Government and the Regulator General. The argument, therefore, is that if privatisation proceeds there is a Government responsibility to ensure appropriate public accountability by the utilities through appropriate legislation and regulation. The expectation remains, therefore, that the Government should protect consumers through public accountability mechanisms.

The privatisation of the public sector is not just through selling and contracting agencies and activities. Corporatisation is an insidious form of privatisation. Corporatisation is the precursor to privatisation - not its alternative. Under competition policy the SEC has already been "transformed". As argued by the Hilmer Report (National Competition Policy): Full 'corporatisation' is a means of converting a public enterprise into a firm which is as similar in terms of its objectives, incentives and sanctions to a private firm as is feasible while retaining the enterprise in government ownership. This will involve eliminating, as far as possible, any special advantages and disadvantages which may flow from government ownership.

When the Victorian Labour Government released its discussion paper on the corporatisation of Government business enterprises in 1991, it said that there would be "a more structured, private sector type relationship between the Government and the GBE."

While understandable, the emphasis on low income consumers is puzzling. Low income consumers need protection but all electric consumers have an interest in the ownership and role of electric utilities - for themselves as well as low income consumers. The exclusive focus on low income consumers is marginalising the debate as a problem for a specific group of consumers.

The Victorian Council of Social Service has argued that "a critical factor to be the nexus between core business (created by the restructuring), good corporate citizenship and the linkages between these business activities and the role and policy objectives of the government in providing access to essential electricity services. As a matter of importance, therefore, effective and consumer focused processes need to be developed and implemented as a matter of urgency." This is a confused assessment which seeks to re-establish what has been and avoids asking whether or not something else would be better.

Competition

Critics of privatisation are not necessarily critics of competition and it is argued, for instance, that the Commonwealth, State and Territory Governments Competition Principles Agreement specifies in Clause 1 (5): This Agreement is neutral with respect to the nature and form of ownership of business enterprises. It is not intended to promote public or private ownership.

It is at this very point that a myth is created to disguise ideology. For those who read the Competition Principles Agreement there is Clause 3 (1): The objective of competitive neutrality policy is the elimination of resource allocation distortions arising out of public ownership of entities engaged in significant business activities: Government businesses should not enjoy any net competitive advantage simply as a result of their public sector ownership. These principles only apply to the business activities of publicly owned entities, not to the non-business, non-profit activities of these entities.

Competition policy underpins the corporatisation of the public sector. Competition is inherent to private enterprise - competing for consumers and, therefore, reducing costs of providing services through increased efficiency. It is critical to understand the interdependence between competition and privatisation.

Competitive philosophy as characterised by the Hilmer Report is limited and limiting - as competition between and within single businesses, industry sectors and locations. Competition is opposed to co-operation. Competition theory is based on the assumption that fear is the motivating force for individuals - that fear motivates people to be more productive and efficient.

The concept of Community Service Obligations is consistent with competition theory. Inherent to competition theory is the separation of business activities and social obligations i.e., the utility should stick to its knitting of providing electricity and leave social obligations to the Government and the community. A typical definition was adopted by the Victorian Parliament's Economic and Budget Review Committee in 1991: A Community Service Obligation should be defined as arising when the Parliament or the executive government expressly requires a government business enterprise to carry out an activity which it would not elect to provide on a commercial basis, or which would only be provided commercially at a higher price.

In focusing on the inadequacy of energy concessions the welfare sector is inadvertently reflecting and reinforcing competition policy.

The Co-operative Way

There has always been an alternative to government intervention in response to market failure. Historically, co-operative intervention has responded to market and government failure.

The co-operative option is not new. It has endured since the 19thC and represents an alternative method of business formation - instead of private or public ownership.

The co-operative option breaks the nexus between business activities and social obligations.

According to the NSW Registrar of Co-operatives the total number of co-operatives in Australia was more than 2100 on 15 April 1995. The turnover of all co-operatives was estimated at \$5.4 billion and the assets base was estimated at \$3.7 billion in 1992/93. In 1994 there were 32 co-operatives among the top 500 exporters - compared with 21 in 1993. Nine of the co-operatives were Victorian:

Co-operative	Net Revenue	Balance Date	Employees	Industry	Co-op Ranking
Bonlac Foods	\$834 m	6/94	1750	Manufacture:Food	1
Murray Goulburn	\$660.3m	6/93	1550	Manufacture:Food	2
Vic Producers' Co-op	\$495m	6/94	300	Pastoral Agent	4
Phosphate Co-op Co	\$320m	6/94	740	Manufacture:Fertiliser	6
Ardmona Fruit	\$106.2m	12/93	301	Manufacture:Food	13
Tatura Milk	\$103.6m	6/94	196	Manufacture:Food	14
Warmambool Cheese	\$72.7m	6/93	110	Manufacture:Food	19
Egg Industry Co-op	\$50m	6/94	100	Wholesale Trade	24
Mildura Co-op Fruit	\$49.9m	9/93	229	Wholesale Trade	26

Agricultural, marketing and retail co-operatives and friendly societies were originally established in the 19th C. At the 30 June 1994 there were 94 friendly societies registered in Victoria with total assets of \$7.57 billion - about 85% of the assets of Australia's friendly societies. Friendly societies established co-operative dispensaries and in Victoria there are 16 dispensary co-operatives operating 34 pharmacies. The largest co-operative dispensary is the Ballarat U.F.S. Dispensary which reported at 30 June 1990 a membership of 17,294. In 1888 the Cobden Co-operative Factory was the pioneer butter factory in Victoria.

The first housing co-operative was registered in Victoria on 15 October 1945 - the Box Hill No 1 Co-operative Housing Society Ltd. At the 30 June 1993 there were 865 housing co-operatives with 32,991 members and total assets of \$1,343,200,000. Since the 1980's the Victorian Government has supported new forms of housing co-operatives - Rental Housing Co-operatives since 1981 and Common Equity Rental Co-operatives since 1986. Credit unions were first established in Victoria by the National Catholic Rural Movement after 1939.

The first credit union registered in Victoria was in 1954 - the YCW Central Co-operative Credit Society. At the 30 June 1994 there were 77 credit unions with total assets of \$2,308,945,079. According to the Credit Union Services Corporation (Australia) Limited at 30 June 1994 its 66 credit union members in Victoria reported assets of \$1,621,700,000 and a total membership of 520,520.

Total Number of Co-operatives Registered in Victoria 1991-1994, excluding co-operative companies, credit unions, building societies and housing co-operatives:

Type	30 June 1991	30 June 1992	30 June 1993	30 June 1994	% + or -
Community Advancement	954	911	874	839	-12.1%
Community Settlement	20	19	19	18	-10%
Producers	58	54	56	56	-4.5%
Trading	122	123	131	136	+11.3%
Association	5	5	5	5	0
Federation	1	1	1	1	0
Rental Housing	15	17	17	17	+11.8%
TOTAL	1175	1132	1105	1074	-8.6%

Source: Co-operatives Unit, Office of Fair Trading and Business Affairs, 29 May 1995

Total Reported Members of Victorian co-operatives lodging returns e.g, 902 at 30 June 1992

30 June 1991	30 June 1992	30 June 1993	30 June 1994	% + or -
271,574	262,056	275,990	315,390	+14.9%

Source: Co-operatives Unit, Office of Fair Trading and Business Affairs, 29 May 1995

Total Reported Assets of Victorian co-operatives lodging returns e.g., 902 at 30 June 1992

30 June 1991	30 June 1992	30 June 1993	30 June 1994	% + or -
\$139,395,000	\$151,571,000	\$145,242,000	\$161,524,000	+13.8%

Source: Co-operatives Unit, Office of Fair Trading and Business Affairs, 29 May 1995

The co-operative difference is real. The following table briefly summarises the differences between co-operatives and companies:

Characteristic	Co-operative	Company
Objective	Profit (surplus) as a means to an end	Profit as an end in itself
Owners	Open	Wealth based
Ownership	Equally to all members with one vote per member.	Based on number of shares owned.
Control	Majority of members	Majority of shares
Decisions	Majority of members	Majority of shares
Management	Responsible to members	Responsible to capital
Shares	Cannot be publicly traded and sold	Shares in public company can be publicly traded and sold
Foreign ownership	Not possible	Possible
Profit	Limited distribution in proportion to use	Unlimited distribution in accordance with number of shares
Share distribution limits	Yes	No
Share value	Constant	Variable
Share types	One class	Different classes

The Co-operative Advantage

The co-operative advantage over public and private business is the explanation for the endurance of co-operatives since the 19thC. The co-operative movement is already a model of democracy, efficiency and profitability. It is part of a world-wide international movement represented in every Continent - Asia, Africa, the America's and Europe. Co-operatives differ from other types of business in their purpose, ownership, control and benefits.

Consumers use business techniques to serve ethical purposes. The philosophy and principles of co-operation, for example, have guided co-operatives since their establishment - establishing accepted rules of action and conduct. Co-operative owned businesses are a movement - not an industry. In contrast, the privatisation critique of public business is that it has mixed commercial and non-commercial objectives. The conflict mix does not exist in consumer businesses with commercial objectives serving a non-commercial goal.

Co-operative businesses are an extension of the consumption needs of consumers. Co-operative businesses are established for a variety of reasons - improving bargaining power, reducing costs, obtaining products or services, obtaining market access, improving product or service quality and improving incomes. The users of the services provided by the co-operative businesses are its owners and controllers - generating both pricing and allocative efficiencies. Private business provides consumers the possibility of lower prices and/or increased choice. Co-operative businesses enable consumers to own their own business and determine the range of services and choices.

Co-operative businesses are the most democratic form of business ownership. Co-operative ownership is direct and equitable. There is one vote per member irrespective of their shareholding. While the ownership of a private business is also direct, it is inequitable as it is based on wealth - the number of shares owned. Co-operative businesses are the most democratic form of business ownership. Co-operative ownership is direct and equitable. There is one vote per member irrespective of their shareholding. Co-operative shareholders are members because they want a service - not a profit. Co-operatives are member-driven not capital driven. The ownership of a public business is indirect without individual shareholding and,

therefore, an incentive for the business to be accountable. Environmentalism has focused on ecologically sustainable development without taking it to its logical conclusion - ecologically sustainable businesses.

Co-operative businesses are economically and organisationally stable - reflecting and reinforcing local and Australian ownership and the independence of the business. Take-over by Australian and foreign investors and large shareholders is not possible. Private business, however, is subject to take-over, asset-stripping and re-location if deemed profitable by its investor owners. Co-operatives are economically and organisationally stable - reflecting and reinforcing local and Australian ownership. The shares are not tradable and, therefore, purchasable by investors privately or on the stockmarket. Take-over by Australian and overseas investors and/or large shareholders is not possible. Private business serve capital - not members. Government privatisation programs are selling public agencies to foreign and private investors. Public business is also unstable because successive governments establish their directions and roles - interfering in strategic directions and commercial decisions.

Co-operative businesses are committed to community development - for their members and their communities. The basis of consumer ownership is community development - consumers taking responsibility and control for their own destinies. Consumer businesses, therefore, reflect and reinforce the social goals of individuals and communities. In contrast, private business is formed to create wealth for investor owners and public business to create dividends for government.

A co-operative is created when people voluntarily come together on the basis of equality and mutuality to promote their socio-economic well-being in a democratic manner and are based on these three principles:

- User-owner: People who own and finance the co-operative are those that use the co-operative.
- User-control: People who control the co-operative are those that use the co-operative.
- User-benefits: The co-operative's sole purpose is to provide and distribute benefits to the users on the basis of their use.

The co-operative principles, as adopted by International Co-operative Alliance in 1966, provide the framework for co-operation:

Open Membership

Membership of a co-operative society should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities of membership.

Democratic Control

Co-operative societies are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary societies should enjoy equal rights of voting (one member, one vote) and participation in decisions affecting their societies. In other than primary societies the administration should be conducted on a democratic basis in a suitable form.

Limited Interest on Share Capital

Share capital should only receive a strictly limited rate of interest if any.

Equitable Distribution Of Surplus

The economic results arising out of the operations of a society belong to the members of that society and should be distributed in such a manner as would avoid one member gaining at the expense of others. This may be done by decision of the members as follows: (a) by provision for development of the business of the co-operative; (b) by provision of common services; or, (c) by distribution among the members in proportion to their transactions with the society.

Co-operative Education

All co-operative societies should make provision for the education of their members, officers, and employees and of the general public, in the principles and techniques of co-operation, both economic and democratic.

Co-operation Between Co-operatives

All co-operative organisations in order to best serve the interest of their members and their communities should actively co-operate in every practical way with other co-operatives at local, national and international levels.

People establish co-operatives to own, control and patronise their own business. Co-operatives promote self-determination through mutual aid. Co-operatives combine democracy with free enterprise - involving an alternative organisational philosophy, structure and practice.

What co-operation offers is a different organisational ethic and structure which transcends divergent community interests and geographical boundaries. The co-operative option enables individuals and communities to democratically control their own destinies. Co-operative-driven economic development includes the private and public sectors in strategic alliances.

Through co-operatives communities control their own economic institutions and access to services - reducing their dependency on the public and private sectors. Co-operatives work for their members and their communities - business techniques serve ethical goals.

The co-operative way is a challenge and an opportunity to make a difference - to control and change history. The commitment to co-operation is a commitment to a vision of what could be. Co-operation challenges the philosophy of competition. To take up the co-operative challenge requires no small plans. It is bold and outrageous but practical.

We must oppose state and local communities competing. We need coalitions of communities working together - instead of competing against each other.

The co-operative community is not geographically based but shares a common philosophy of co-operation. Co-operation empowers people and their communities. It is a social movement which provides vision and leadership through a consistent and enduring philosophy and principles.

Communities are increasingly recognising that their economic development is dependent on their own efforts - co-operation instead of competition. Under the competition imperative, Governments are abandoning communities to market forces. The logic of this is to reject dependency on public and private enterprises owned and controlled outside their communities. Co-operatives are a tested economic response to abandonment.

Electric Co-operatives

In arguing for the establishment of electric co-operatives, it is important to identify any precedents and how the restructuring of the electric industry is creating a co-operative opportunity.

The history of electric co-operatives in the USA demonstrates that co-operative ownership is economically viable. For over fifty years electric co-operatives have sustained co-operativeness without sacrificing business efficiency.

Co-operative democracy has created the basis for the movement's commitment to interdependence within and between co-operatives and the communities served by co-operatives.

At its 50th Annual Meeting in 1992 the membership of the USA-based National Rural Electric Co-operative Association reaffirmed a Rural Electric Viewpoint Statement which was originally adopted in 1969:

We believe: That the individual citizen, whether in rural or urban America, can and will achieve a sense of personal pride, self-accomplishment and family security if given a real opportunity to participate in social, economic and political activities as a free and equal citizen.

We believe: That the nation's human and physical resources, under God, must be developed and utilised to the maximum extent possible and that this products resource development should result in maximum public benefit, without regard to religion, race, creed, social or economic circumstances.

We believe: That the development of the potential of rural America and the utilisation of its assets will make a major contribution to the welfare of the nation and the world.

We believe: That the principles of self-help co-operative enterprise embody the freedoms and unalienable rights granted by the Constitution of the United States, and are consistent with the highest ideals of the free enterprise system.

We believe: That rural electric co-operatives have major responsibilities for helping to raise the standard of living and for improving the productivity and the opportunity for economic prosperity in an ever changing rural America.

There are more than 1000 electric co-operatives in the USA - owned and controlled by 12 million consumers and serving 10.5% of the country's population. The co-operatives own and maintain more than half the electric distribution lines in the USA and distribute about 7% of the nation's electricity to the most costly and difficult supply areas. In 1988 this was the profile of the typical electric co-operative:

Number of consumers	7,987
Miles of Line	1,961
Number of employees	35
Annual KWh sales	122,874,000
Monthly KWh used per residential consumer	940
Investment in plant	18,073,503
Annual operating revenues	9,017,052

Cost of power	5,683,280
Margins	626,849

Electric co-operatives own and maintain more than two million miles (44%) of power lines in the United States, distribute about 7.4% of the nation's electricity and serve about 10.8% of electric consumers.

Other countries with electric co-operatives include Argentina, Bangladesh, Bolivia, Brazil, Canada, Chile, Costa Rica, Ecuador, El Salvador, Holland, India, Indonesia, Philippines and West Bank. The United States electric co-operatives have been providing technical advice and assistance to these countries.

The privatisation of Victoria's electric industry is a co-operative opportunity - creating the conditions for establishing electric co-operatives owned and controlled by electric consumers.

No Government in Victoria, whether the Labor Government between 1982-92 or the Coalition Government since 1992, have been willing to acknowledge the co-operative option. Different Governments have pursued different agendas, albeit with elements of uncertainty and inconsistency, and have sought to predetermine the structure and content of the debate about electricity reform and exclude values and interests deemed as irrelevant and peripheral.

In its first electric reform booklet (1/1993) the Government referred to the United States of America experience. It is noted that *"the ESI in the US has been dominated by large regionally-based vertically integrated monopoly electric utilities, most of which are privately owned"* (1/45) and that *"the key lesson from the US experience for Australia and Victoria is that the privatisation of large, integrated monopolies would lead to the need for heavy-handed regulation and would make progress towards an open competitive market both slow and difficult."* (1/46) This reference, then, selectively ignores that there are co-operative, private and public utilities in the USA. While there is a private dominance, the presence of the co-operative utilities is not insignificant - being owned by 12 million consumer-members and serving 25 million people.

It is claimed that the Government has undertaken *"a rigorous analysis of ESI reform world-wide"* (19), commissioned status reports and critiques of these reports and organised workshops and that the new industry structure has emerged as a result of this *"rigorous analysis"*. This rigorous analysis did not include the co-operative option and it is not surprising, therefore, that consumers were not included in this report and workshop process. Organisations such as the Victorian Council of Social Service have consistently attempted to represent consumers, particularly those with a low-income, but primarily as recipients of electricity services and not as potential owners of their own electric utilities. In this way, therefore, VCOSS has joined with the Victorian Government in assuming the passivity of electric consumers. Electric co-operatives assume the activity of electric consumers - both their willingness and ability to own electric utilities.

The Government's *"rigorous analysis"*, therefore, was undertaken by elites and experts and consumers were not included because *"ordinary"* people are not considered to have the necessary sophistication to cope with the complexities involved in the electric industry. This kind of received wisdom is always used against the co-operative movement and since the 19th C the co-operative movement has challenged and defeated this elitism. It is disappointing, however, that some who advocate a consumer interest are also reflecting and reinforcing this received wisdom.

The Government is correct in arguing that there is a capacity for individual resident consumers to be able to exercise theoretical choice in purchasing electricity. This choice, however, will be limited in practice for their bargaining power will be limited.

Bargaining power of electric consumers will increase in proportion to the energy purchased. This is why industrial and commercial consumers will be able to benefit from competition with distribution companies competing for their loads. Large load consumers will be able to pit suppliers against each other. This is an option not available to individual householders and small business. Industrial and commercial consumers, therefore, will be able to drive prices down - for them. This will, of course, also drive downwards the margins of the distribution companies.

It will be in the interests of distribution companies, therefore, for their franchised customers to not enter the competitive market. Franchised consumers will provide the distribution companies with a secure and stable cash flow although the margin is low.

Electric retailers entering the electric industry will be able to select targeted consumers, communities and regions. They will be able to refuse to sell the consumers, communities and regions they consider undesirable and unprofitable.

Only by establishing electric co-operatives will household, rural and small business consumers benefit from competition. Electric co-operatives will reduce the cost of electricity for all consumers who are members of co-operatives through volume buying - the only way for individual consumers to competitively purchase electricity.

Electric co-operatives could serve specific geographical areas and/or dispersed memberships throughout disparate geographical areas and/or specific interests such as credit unions, schools and farmer co-operatives.

Remote reading technology is providing the technology to enable electric co-operatives to provide power to any number of consumers in any number of streets in any number of areas throughout Victoria. Electricity, gas and water utilities in Australia have considered remote reading of metering devices and remote control of loads at customer premises - without seriously pursuing these possibilities.

A computer assisted meter reading interface allows two way communication between the consumer and the supplier. Customer billing at will is possible either through the host computer or a billing contractor. The metering system in its self-diagnostic mode will advise of any malfunctions such as power down, low voltage and interference. There is also a capacity to switch on and off loads - turned on and off at a pre-arranged time sequence. This capacity is already being utilised by electric co-operatives in the USA Smart meters are real-time meters. In its electric restructuring proposals, California's Public Utilities Commission has suggested the introduction of real-time meters over the next six years.

At the beginning of this paper, it was argued that we should be equally concerned with the role of electric utilities - as well as their ownership.

What is crucial about ownership, however, is whether or not this predetermines the role of the utilities. The proponents of continuing public ownership have assumed and argued that public ownership does make a difference. As already argued, this claim is contestable.

An obvious role of an electric utility is the provision of affordable, accessible and safe electricity although the meanings are not self-evident.

What is particularly significant about privatisation is that the utilities have a new role - an obligation to their investors to generate a return on their investments. There is an obligation on the board and management, therefore, to maximise profits for the investor owners. Investors invest money to make profits and if the return is insufficient, then, they will either relocate their investment and/or replace the board and/or management. But, then, under the Labour Government in Victoria between 1982 and 1992 the utilities were required to return a dividend to the Government - to its only shareholder.

The role of the private utility, therefore, is assessed by the board and management in terms of its profitability ratio. The higher the profitability, the greater the value of the shares and the better the credit rating.

In contrast, a co-operative utility is internally focused on serving its members - rather than generating profits for external shareholders whether public or private. This internal focus creates its own external dynamic - serving members in their communities. How this works has been demonstrated in the experience of electric co-operatives in the USA The bottom-line for electric co-operatives is productivity and efficiency.

Local control of energy is a precondition to the social relevance of electric utilities. When the purpose of a utility is to serve its members and their communities, instead of investors, the role of the utility is different.

Since the 1960's electric co-operatives have been actively involved in community and economic development - catalysts for business-start-ups, business expansion, business retention, business incubators, rural housing, health care and water systems. Since the 1960s the co-operatives have established the National Rural Utilities Co-operative Finance Corporation (1969), Rural Telephone Bank (1971), National Rural Women's Network (1979), the National Rural Telecommunications Co-operative (1986) and the National Rural Health Network (1987).

The electric co-operatives support their own research program including power quality, distribution system loss, dairy water heaters, irrigation load management, fuel cells, ethanol fuel, battery energy storage, automatic meter reading, heat pumps and electric smart houses.

The environmental activities of electric co-operatives in the USA encompass:

- Demand side management - working with consumers to make best use of electricity.
- Electrotechnologies - new uses of technology which reduce the use of combustible fuel.
- Good Business Practices - focusing on supply side efficiency and reducing waste.
- Renewable energy choice - reusing resources.
- Wildlife, protecting and preserving animal and plant life.

The East River Electric Power Co-operative in Madison, South Dakota, has a demand side management system - an installed cost for \$US10.5 m which has around \$US42m in additional wholesale power costs. Four electric co-operatives in North Carolina have worked with three manufacturers in developing energy-efficiency standards for manufactured homes. The average monthly electric bill for the test homes is \$US 71 instead of \$US 128 for existing manufactured homes. The Pacific Northwest Generating Co-operative in Oregon is using methane gas piped from a regional landfill to power a 2.2 megawatt generating plant to serve 1500 consumers. The La Plata Electric Association in Colorado provides a photovoltaic option for remote consumers - instead of costly overhead lines.

Conclusion

The co-operative opportunity exists whenever individuals and their communities want to create that opportunity.

The genius of co-operatives is that they are ecologically sustainable organisations - a precondition to ecologically sustainable development. Co-operatives are democratic and socially purposeful organisations which work for the democratic and social purposes of their members and their communities. Electric co-operatives empower electric consumers - enabling consumers to choose who provides their power.

Co-operatives challenge the competitive market - within the market. Since 1992 three electric co-operatives have been established in Victoria - Co-operative Energy Ltd, Southern Energy Co-operative Ltd and the Orbost Power Co-operative Ltd. Two further electric co-operatives are being proposed for the Western suburbs of Melbourne and North East Victoria.

Ultimately, the co-operative option is achievable through faith and conviction - co-operatives work if we want them to work. The precondition for faith and conviction is co-operative philosophy and principles. The co-operative idea must be owned and controlled by individuals and their communities.

The co-operative movement threatens both the public and private sectors for it equally challenges autocracy, elitism and wealth. Co-operation is economic democracy - threatening the values of vested interest groups who are competing to control political democracy. The privatisation of Victoria's electric industry is about which elites should control the industry with the debate focusing on the issue of foreign ownership and access to services for low income people.

Effective public accountability of utilities is essential but it is not an alternative to empowering consumers. We need to go beyond consumer protection - to consumer empowerment. We need to go beyond an expectation that Governments that are reinventing themselves will adopt fundamentally inconsistent policies. We need to go beyond the assumption that Government is responsible for maintaining and developing the common good.

There are many individuals and groups working for their alternative visions in our society including intentional communities, Local Exchange and Trading Systems, green energy, the elimination of poverty,

full employment, friendly societies and housing co-operatives. The challenge for us all is to confront the institutions of the public and private sector. We need to rediscover co-operation - its philosophy, principles and practices. We need to reinvent its role - how individuals and communities can extend existing and establish new co-operative activity.

Victoria's Electric Co-operatives

Name: Co-operative Energy Ltd

Registered: 20 December 1994

Aim: The aim of the Co-operative is to foster the establishment and development of electric co-operatives.

Objects: The objects of the Co-operative shall be: (a) To engage in the compilation and dissemination of information on the generation, transmission and distribution of electricity; (b) To promote the establishment and development of electric co-operatives; (c) To provide services to members, electric co-operatives and others in connection with the advancement and development of electric co-operatives; (d) To represent the best interests of members and electric co-operatives with all branches of government; (e) To encourage existing co-operatives to provide electric services to their members; (f) To do all such things calculated to improve the conditions of community life as are prescribed by regulation.

Name: Southern Energy Co-operative Ltd

Registered: 21 April 1995

Aim: The aim of the co-operative is to establish an electric co-operative in the United Energy Service area.

Objects: The objects of the Co-operative shall be: (a) to provide and carry on any community service, including transport and the supply of water, gas and electricity, to provide and install plant fittings and requisites in connection with any community service and to do anything necessary or convenient therefor; (b) to own the United Energy distribution company; (c) to represent the interests of electric consumers; (d) to encourage the co-operative role in electric utilities; (e) to support energy efficiency programs; (f) support the availability of energy efficiency loans; (g) to support the use of renewable energy and technologies; (h) to support empowerment of electric utility workers.

Name: Orbost Power Co-operative Ltd

Aim: To create job generating enterprises in the Shire of Orbost

Registered: 1992

Objects: 1. To become the co-operative distributors of electricity from Nowa-Nowa to Mallacoota

2. To generate enough electricity to supply our network using local waste-wood as fuel. 3. To utilise the waste heat from the power station to: (a) heat a hardwood kiln drying set-up; (b) heat a warm-water fish farm; (c) heat greenhouses for winter vegetables, cut flowers, seedlings etc.; (d) heat a large tourist-oriented tropical hot-house, also growing tropical fruit; (e) provide domestic, commercial, public building and swimming pool heating; and (f) possible others: herb-drying, essential oil production, mini-brewery, plastic injection moulding, speciality paper making. 4. To foster and encourage such other industries as the Co-op sees as appropriate. 5. To provide on-site and on-going education for Co-op. members/workers. 6. To provide employment for the societally devalued persons. 7. To provide on-site child care facilities. 8. To present the whole in such a way as to make it an attraction to tourists.

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